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TAGS: ECON EAID IZ
SUBJECT: WORLD BANK MANAGING DIRECTOR STRESSES COMMITMENT
TO IRAQ, ICI IN BAGHDAD VISIT

Classified By: CHARGE DANIEL SPECKHARD, E.O. 12958 REASONS 1.4 (b)(d)

¶1. (C) Summary. World Bank Managing Director Dr. Juan Jose Daboub visited Baghdad Feb. 12 for a one-day visit that included a call on the Charge and his senior economic team. Daboub reaffirmed that Iraq's development remains a top priority for the Bank, striking an unexpectedly positive note on the outlook for the economy. He stressed the importance of the International Compact with Iraq (ICI) and sought the USG perspective on the path to signing the document and moving toward meaningful implementation. He also solicited opinions on the current political climate. He was accompanied by Bank staffers Daniela Gresani, Regional VP for MENA, and Merza Hasan, Executive Director for Kuwait (which covers Iraq). End summary.

¶2. (C) Dr. Daboub asserted that the purpose of his visit to Baghdad (the first for such a high-level Bank official) was to reaffirm their commitment to the Iraqi people. He stressed that the Bank's focus is on long-term, sustainable policies for Iraq, especially governance and anti-corruption efforts. He noted some similarities with his home country of El Salvador, saying that he still maintains a positive attitude toward Iraq based on some of the economic successes realized so far. He stressed that &it is still possible to make it happen8 in Iraq. He added that economic reforms should not be seen as something that can only happen once the security situation is stabilized, but can and should be realized even in adverse security circumstances.

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Compact and Regional Debt Cancellation
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¶3. (C) Dr. Daboub stated that realizing the goals laid out in the International Compact is a primary focus of the Bank's efforts in Iraq. He stressed that, while the successful drafting of the agreed text is an important accomplishment, implementation must be effectively coordinated to ensure the Compact is a success. He looks forward to USG input in the process of developing a realistic strategy for implementing the Compact. Daboub suggested the UN may have a different approach to the finalization of the Compact, and suggested that we work closely with the UN and the WB to ensure we are projecting a unified message.

¶4. (C) The Bank's staff specifically inquired about the USG position on the relationship between achieving debt cancellation from the Gulf states and progress on the Compact. The Charge stressed the importance of the Gulf states in the ICI and that debt relief should be a key component. He outlined the need for progress on the security front in light of the on-going Baghdad surge, which could bring about improvements in reconciliation efforts. Such developments, coupled with progress on the hydrocarbons and

de-Baathification laws, could bring about a thaw in relations with the Gulf states. EconCouns further noted that the Iraqis understand the complexities involved with dealing with their southern neighbors, and are endeavoring to improve the situation, as evidenced by an upcoming trip to Saudi Arabia by Foreign Minister Zebari, and the two Compact PG meetings that were hosted in the Gulf. He underscored the interrelationship of the Baghdad Security Plan, the ICI, and the regional relationships.

Political Situation

¶5. (C) Daboub expressed concern over the removal of Article 4 from the recently passed 2007 budget, which would have allowed for streamlined approval of assistance loans. He solicited ideas on how to facilitate the approval of World Bank projects given that they must continue to come up for individual CoR approval on a project-by-project basis. Daboub added that the Bank's projects are pragmatic projects unburdened by ideological issues. He also sought a more general understanding of the political dynamic in Iraq.

¶6. (C) The Charge noted the importance of political blocs in the current climate in Iraqi politics. Because maintaining political unity is the primary goal, party leaders have become very powerful, often yielding more influence than GoI officials. The USG, Speckhard added, is working to find ways to bridge across such divisions and build a virtual moderate front to create progress on a cross-sectarian basis.

Personnel in Iraq: Scaling Up, but "Sensibly"

¶7. (C) The Charge stressed the importance of having people on the ground in Baghdad to work directly with the GOI to achieve the Bank's goals, and Daboub acknowledged this need. He noted the addition of new staff at the office in Baghdad, and added that the Bank is considering adding branch offices in the northern and southern regions of the country. He cautioned, however, that he wants to scale up in a &sensible8 way, and declined on this visit to announce a Country Director for Iraq, as had been speculated.

Additional Meetings

¶8. (C) Daboub later met with representatives of the broader donor community, presenting many of the same themes. He stressed, in particular, the centrality of the International Compact to the Bank's efforts, a sentiment echoed by many members of the donor community. He noted that the document was, in fact, not merely aspirational at this stage, with the draft of the ICI already in use by the Bank as a roadmap for future development priorities. Most representatives reiterated their contributions to Iraq's development in the context of the Bank's work. The Japanese representative echoed the Bank's frustration at the lack of progress on providing loans to the GoI, underscoring their own \$3.5 billion soft loan package. During his one-day visit, Daboub also met with the Prime Minister, Deputy Prime Minister Barham Saleh, and the UK Ambassador.

¶9. (C) COMMENT. This high level visit follows the recent appointment of a new staff member at the World Bank office in Baghdad, s International Zone. Their goal of establishing additional offices in Iraq is encouraging, and it is clear that the Bank is pursuing long-term, sustainable projects here. It is also clear, however, that they will continue to turn to the USG for advice and, occasionally, advocacy in their efforts gain GoI support for Bank projects. Daboub, s comment that the USG and Bank need to coordinate carefully with the UN, given the UN, s possible difference of approach to the signing of Compact, merits consideration. END COMMENT.

SPECKHARD